

find an alternative that will reduce the cost of production per penny to below the penny's face value. If this proves impossible, the penny may be gone forever.

An Inquiry Into the Wealth of a Continent

By Jirapat Taechajongjintana

I once recalled my grandmother telling me her story of childhood yore; her eyes sparkled as she flashed back to those moments of the “good old days”. “We lived differently then,” she said. “People went around on feet, the wealthy on horse-drawn carriages. Streets were just unpaved paths of rouge earth, with each and every piece of land on both sides littered with rice paddies and farms...” This was the land my grandmother once knew, a land barely touched by the onslaught of development. It was the place where people lived and traded without knowing what the invisible hand of capitalism was; where societies were structured by long-held traditions and social norms, ruled by divine monarchies, dominated by a strong faith in religion. Who would have believed that this was the continent called “Asia”, rewound back in time by a mere 70 years.

Asia has changed dramatically over the past decades, emerging itself from a distant terrain of the Far East into a prominent figurehead on the international stage (Gordon and Spicker, 1999). The rice paddies have been converted to high-rise buildings and apartments, the earthy roads now paved with concrete ground. The GDP of each nation skyrockets at a level as high as double-digit rates, and the people now receive better welfare and living conditions. If Asia were a man, it would be a young, attractive adult who is in pursuit for fame and success in his adulthood. This young man has a tenacious will, herculean strength, and great potential, but the path to that accomplishing adulthood will not be an easy one; instead, it will be an arduous path that lays defying impediments and obstacles, the ones which challenge Asia to get pass in order to achieve what it longs for. These impediments-the challenges of Asia-will define the fate of this young man in the next decade and beyond.

The Wealth that Isn't

Asia's economy has been a speculative couple of rapid progress and unrestrained development. The continent may have faced the drastic financial crisis in the late 1990's, but we learned fast and revived our economy back to its pride and glory in just a few years. I still remember the time when I was delighted to see my father being somehow free enough to pick me up from school every afternoon, not knowing that he is actually laid off and the family was actually struggling through a hard time of financial crisis. Today, my father is a successful businessman, and the family now lives in a pretty content and well-off style than the last generation. It is this growing wealth and in turn increasing population that defines the post-crisis Asia. We have developed innate abhorrence against triggering yet another economic catastrophe, and our sheer fear from the TomYum Koong crisis has spared our economy from the dreadful consequences of the 2008 Hamburger Crisis that threatens to engulf the financial system of so many nations.

Still, Asia is not completely safe from danger. The growing wealth that nourishes Asia may well destroy it; the increasing population may crowd this continent may jeopardize it beyond resurrection. The expansion of Asia may have been dramatic, but a substantial part of it is based on a fragile establishment of ineffective administration, weakening societies, and unsustainable economy (Genugten and Bustillo, 2001). Should these problems be left untouched, Asia is sure to be imperiled by the following challenges:

The Black & White Wealth Gap

Asia may have demonstrated an extraordinary growth rate achieved by a set of "dragon" economies, but poverty remains a foremost issue in this region (Oyen and et al, 2002). The average GDP of the Asia-pacific region is 6.6% – the U.S. GDP grew at an annual rate of 3.8% (Wilson, Kanji and Braathen, 2001) and has succeed in reducing the proportion of people living in extreme poverty from half of the region's down to a quarter, but 979 million Asian are still living under the poverty line, representing 60% of the world's poorest.²¹ The truth is, even when each nation is showing a beautifully skyrocketing GDP, the poverty gap is getting wider and wider. GDP represents "gross"

²¹"Inequality in Asia, Key Indicators 2007, Highlights". Report by Asian Development Bank.

domestic production, thus it is not an accurate measurement on how poverty and inequality has improved over the years.

In the case of Asia, the phenomenal GDPs explain how the Asia's freer markets and capitalism have facilitated the rich to get richer while suppressing the poor to hard labors and petty income. The region's economy is prospering, but it is not the people living in extreme poverty who are benefiting from it. Even worse, the intense competition of the free market, the soaring oil price, the disappointing agricultural harvest in Southeast Asia, and the softening electronics market all play a part in traumatizing the poor in this region. All this has resulted in major and permanent demographical changes of which the consequences have yet to be fully played out (Williams, Kjonstad, and Robson, 2003).

The people in agricultural activities are abandoning their fields to work in factories, hoping for better welfare and steady income. The laborers in industrial production suffer from low income and extra-long-and-depressing working hours exacerbated by the very migration of workers to the urban areas and the rigors of a competitive world market (Reis and Moore, 2005). Unfortunately, this has triggered strikes, protests, and in many cases, suicides; as recently reported in the Honda, Toyota and Apple manufacturing facilities in Guangdong, China. These events are sad enough, but it is even sadder that our financial prosperity is founded on the suffering of these less fortunate individuals.

Through capitalism we have emerged into a significant player on the international market, but also through it has we let the poverty part our society be suppressed by capitalists just as big fishes eating smaller ones, while we blindfolded our perception of these problems with fancy numbers representing economic growth. But at present, we can no longer ignore the problems that are plaguing our economy. We cannot afford to take no notice of the vulnerability of the establishment that is supporting our fast-growing economy, nor can we look only at the attractive GDPs and disregard the ugly wealth gap that expose our economy. It is pivotal that we address these problems that are eroding the core of our economic and social structures, before it is too late to do so.

The Mismanaged Resource Allocation

Besides the widening wealth gap, another severe challenge of Asia's growing economy is

the growing itself. In the many emerging industrializing countries of Asia, the rapid growth in capital and finance has been achieved predominantly through even more rapidly growing inputs of resources.²² The nations that comprised Asia have transformed themselves from peasant societies into industrial powerhouse, in turns becoming both the greatest manufacturer and consumer of the world (Eversole, McNeish and Cimadamore, 2005). During the course of Asia's economic revolution, the chief strategy it used has been to embrace "quantity over quality". The plan worked well, making such Asian-pacific nametag as "Chinese-made" the world's household application despite the questionable quality of their products. (recall the melanin-contaminated milk powder scandal that scares the be-Jesus out of every mother?) These mass-production methods that involved cheap labor, obsolete machineries, and the immense, yet inefficient, usage of mineral resources would have worked indefinitely if Asia possessed a limitless supply of natural resources and a labor supply that could easily be coerced forever to work in its sweatshops.

But in reality, when the drastic consequences of these careless mass-production started to become obvious, when forests are deforested and rivers contaminated, when the sub-quality of "Asian-made products" posed treats to everyone, when discussion on welfares and equality is becoming the heated topic of every factory workers, Asia is grimly realizing that it may well starve to death before it could instill sustainable wealth to the land and not only for the benefits of the privileged few.

The existing methods of mass-production have vaulted Asia's past its first hurdles, but it is running out of fuel to drive the continent into the prosperous incoming decade and beyond. To survive and be effective in the future, Asia's industries must reinvent itself. The region must change the way it thinks, produces, and distributes. Instead of prioritizing quantity over quality, it must do the vice-versa; instead of being just productive, it must be effective as well; instead of being economical in terms of manufacturing cost and labor, it must also be economical with efficient consumption of input resources and efficient output pollution control. With well-planned strategies and

²²Paul Krugman, "The Myth of Asia's Miracle" *Foreign Affairs*; Nov/Dec 1994; Vol.73, Iss. 6; p. 62, 17 pp.

tenacious efforts, Asia can reshape its industrialization and lay an incorruptible path towards economic advancement.

Thus, the biggest, and the most challenging challenge of all that Asia must resolve by the year 2020 can be formed into a single question:

“Can Asia really continue to maintain the fast-paced economy of recent times without suffering any detriment in the quality of life of its people and making poverty condition worse?”

This is the challenge that poses Asia in the next decade yet to come; of how it can balance its financial ambitions with morals and responsibility, to do what it must, not what it is capable of. Asia must rethink and rebuild the structure of its economy, starting with human resources. Each nation’s government must implement regulation that protects its people from the suppressing side of capitalist economy, while preparing the next-generation with knowledge and skills to increase their value as human labor. These proposals are sure to bring down Asia’s remarkable financial growth, but what it gets in return is a sustainable economic structure that is invaluable in the long run. This is the challenge Asia cannot fail to accomplish, for it concerns with the continual of our economy, in a sustainable way. Even if it means we have to rebuild our economic structure, brick by brick, we will have to do it.

The Resolutions: What is then to be?

The following ideas are sustainable and achievable ways as to how Asia can overcome some of its biggest Economical and Societal challenge of the coming decades, i.e., poverty, an extraordinary wealth gap, and an inefficient resource allocation process, to satisfy the physical needs of its population and to improve their quality of life; in other words, to bring “true wealth” to Asia.

The Wondrous FTA

Free Trade Agreements can be bi-lateral or multi-lateral in nature. How can Free Trade Agreements rescue Asia’s vulnerable economy? It doesn’t. The implementation of a FTA to the region will intensify competitions among its member Asian nations and, just like Charles Darwin’s’ theory of natural selection, the strongest, most competitive industries of each nation will survive while the less efficient will be erased from the board. Although “the strongest survive” approach might seem very un-egalitarian, it

actually does help in the long run. Many Asian economies have long been traumatized by these prevailing ineffective industries, which are not only unprofitable but also resources consuming. The FTA will mobilize and allocate resources to where they belong, where maximum productivity can be achieved at the most effective economies of scale. Moreover, the process of implementing FTAs will break down the tax barriers between nations, resulting in a better mobilization of resources in the region and give the citizens of Asia the access to cheaper products and commodities produced within its borders. However, the brilliant FTAs are not without flaws. Without a set of well-considered regulations married to a suitcase of fair procedures, the execution of any FTA may well be likened to a “firing squad” to the fragile economy of any uncompetitive yet poor and under-developed nation – like Bangladesh.

This was a lesson my country, Thailand, learnt the hard way. When Thailand signed an FTA agreement with China, a considerable part of our agricultural economy collapsed tragically. A bag of garlic from Thailand’s countryside costs 80 baht; the Chinese ones cost half of that. Even if one was a Thai Nationalist, it is a no-brainer which one you would buy from. Hence, FTAs are generally good, but they can never be perfect. Every time you implement a FTA with a group of countries, there will always be conflicts over the perceived loss of benefits, especially for the smaller, unproductive, and uncompetitive nations. The main objective of any FTA must be accepted by all participants as a tool to create a sustainable path towards economic prosperity, even if it means each nation has to sacrifice a little to gain more. Naturally, for certain nations like Myanmar and Cambodia, whose economies are likely to be adversely impacted and may be even jeopardized, should a FTA be instantaneously forced on them instead of a process of gradual implementation, then more harm than good would be the likely outcome.

In conclusion, FTAs are seen as an avenue whereby individual nations can pursue their own path and pace to achieving a higher quality of life for its citizens. Countries whose social and economical infrastructure are undeveloped, and hence feel vulnerable, may delay their progress in signing such Agreements whilst others who are more confident of their population’s ability to adapt may surge ahead in such contracts. This

inherent flexibility of FTAs enhances Asia's continuous growth and its efforts to eradicate poverty.

The Model of Lifelong Education

Relief cheques, social compensation, and stimulus plan are great for tackling poverty and boosting economies, but they are only temporary advantages that are bound to disappear over time. So, what is the sustainable, ideal way to challenge poverty and uplift the economy in the long run?

The most promising way to do so is through education, specifically a "lifelong education". Only it can solve the chronic problem of poverty and inequality, of ineffective and unproductive economy. Take the "Nordic Model"²³ as an accomplishing example. For years, economists around the world found themselves both impressed and inspired by the Nordic's (Iceland, Denmark, Faroe Islands, Finland, Sweden and Norway) superb combination of economic efficiency and growth with a peaceful labor market, a fair distribution of income and social cohesion. Their model is the benchmark, a source of inspiration for others in search for better social and economic system. Although the Nordic and the Southern Europe (Italy, Greece, Spain, etc.) both have social and economic structures that are considerably similar in many aspects, such as social welfare, ageing compensation, free(or cheap) medical service, but what makes the Nordic a great phenomenon while the Southern Europe economically annihilated by the financial crisis lies in one single subject-Education. True, both region gives free education to the juveniles, but the Nordic also have a compulsory "reeducation courses" for certain individuals, namely unemployed, laid-off workers. The Nordic governments will not let them live by for their unemployment relief cheques; instead, they let the unemployed workers choose from a variety of education courses, allowing them to start a new life in a new career, in turn increasing the overall productivity of the nation. Asian could also take after the Nordic's education model, retraining laid-off, working-class adults to give them another income opportunity to break free from poverty.

Still, Asian must not neglect the role of youth education. For the young children, quality, adequate, free, and relevant education must be compulsory and accessible to

²³*The Nordic Model* 2010, The Research Institute of the Finnish Economy (ETLA), Taloustieto Oy

every single youth. It is a good prospect that the Asians value education (Asia has three times the number of “tutoring Academies” than state-run schools and universities). However, much of these educations are limited, or over a “privileges” to the middle and upper classes. In order to eliminate poverty, it is consequential that the governments try at all cost to instill to seed of knowledge to every citizens’ mind, young or old.

The Prospect of an AU (Asian Union)

Everybody knows what the European Union is, and what it is capable of doing. Now, what if Asia does the same, integrating each nation to create the Continental cooperation of an “Asian Union”. Such integration will surely strengthen the region’s economy, giving it grater bargaining power in trade and elevating its position in the International arena.

More significantly, a formal coalition of Asian nations may be the ultimate salvation to many of the continent’s prevailing challenges. Europe built its union from the scrap and ruins of World War II, and it is still an underwhelming accomplishment with new nations seeking membership and the recent near collapse of the financial systems of some of its members in the likes of Greece, Spain, Portugal and Ireland being a stark reminder of the possible perils.

Asia has far better prospects. Its society has not been destroyed by any war, nor has the economy been jeopardized in recent memory. Nevertheless, just as an economist once said, Asia is like a tiger that is “falling from the heights of Olympus to the plains of Thessaly.” Its economy needs to be addressed and reinforced urgently, and one of the most promising routes to sustainably do that is through the institution of an Asian Union. A joint cooperation on a continental scale will transform Asia from a “paper tiger” into a living, breathing animal; improving the region in terms of Economic ascendancy, as well as Social development, Cultural preservation, Educational proficiency and Political maturity. The region itself has many joint actions, such as the much-heralded ASEAN Free Trade Zone. What it needed now is a commitment from each and every nation to collaborate and contribute as a whole single massive nation.

Asia’s past economy has been driven by perspiration rather than inspiration; by wanton growth of inputs of labor and capital rather than by gains in efficiency. But with the establishment of Asian Union, we can change these anomalies. An Asian Union

allows for better mobilization of resources (e.g. mobility of labor), compliance of regulatory requirements for improved efficiency through greater transparency, etc. With the combined effort as a union, we can turn once peasant societies into the industrial powerhouses of the globe.

Should the dream of an integrated union comes true in the next decade, Asia in 2020 and beyond shall be a speculating set of development for the world. It will exhibit the ambitions that deserves acclamation, regional cooperation that should be replicated by all nations, and the rapid progresses in every aspect that other countries can only speculate in awe. It shall the Union that defines the era of globalization, of continual development to surpass all limitations and impediments that the world poses, of a continent that won't give up to its own challenges.

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Price Gouging During Emergencies

By Nicholas Corona

In the wake of the Hurricane Sandy, it is important to analyze the economic principles at work as a part of the relief effort. According to the National Hurricane Center, Hurricane Sandy was the largest Atlantic hurricane, extending 1,000 miles in diameter and causing power outages in 17 states. Consequently, many of these states were suffered serious economic damage. IHS Global Insight estimates the somewhere between \$30 billion and \$50 billion dollars (~.3% of nominal GDP) in economics losses occurred as a result of the hurricane. Hurricane Sandy, lasting for nine days in late October last year, caused the local markets to experienced sharp demand and supply shocks through those nine days and several weeks after. Consumers were in desperate need of gasoline, electricity, and other relevant emergency equipment. However, because several banks, such as JP Morgan, which closed its banks in New York, New Jersey, and Connecticut, and Bank of America, which closed its banks in New York, people didn't have access to the liquid capital that was necessary when stores were out of power and trips to the ATM were too dangerous. As for suppliers, much of their infrastructure was either destroyed or put on hiatus for safety reasons. IHS estimates maintain that about \$15 billion in infrastructure damage were incurred at this time, matching the infrastructure damage caused by Hurricane Irene, the category 3 hurricane that occurred in August 2011. While active, the Hurricane Sandy put 70% of East Coast oil refineries on hold. The higher risk and costs associated with transportation led suppliers to choose to supply less. As a result, many of the elements needed for "price gouging" were present. Price gouging is the practice of selling goods, usually life-sustaining necessities, at a price higher than normally regarded as fair because some sort of national or local emergency increases consumers' willingness to pay far beyond the regular market-clearing price.

The majority of the states in the U.S, thirty-four to be exact, have laws to prevent price gouging. The earliest of states to take action was New York, which took action back in 1979. New Jersey has also taken action against several alleged price gougers who profited during Hurricane Sandy. Most U.S anti-gouging laws set a price ceiling on key